

DES MOINES COUNTY, IOWA

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

JUNE 30, 2012

DES MOINES COUNTY, IOWA

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DES MOINES COUNTY, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Beck	Board of Supervisors	January 2015
Tom Broeker	Board of Supervisors	January 2015
Dan Cahill	Board of Supervisors	January 2013
Carol Copeland	County Auditor	January 2013
Brenda Buck	County Treasurer	January 2015
Kathryn Waterhouse	County Recorder	January 2015
Mike Johnstone	County Sheriff	January 2013
Patrick Jackson	County Attorney	January 2015
Matt Warner	County Assessor	Appointed

INDEPENDENT AUDITOR'S REPORT

To the Officials of Des Moines County, Iowa:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Des Moines County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents. These financial statements are the responsibility of Des Moines County, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Des Moines County, Iowa at June 30, 2012, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2013 on our consideration of Des Moines County, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 8 and 32 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the other information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Des Moines County, Iowa's basic financial statements. The financial statements for the nine years ended June 30, 2011 (which are not presented herein) were audited by other auditors. The other auditors expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 26, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

Des Moines County, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the County's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- ◆ County revenue decreased 6.7%, or \$1,747,897 from fiscal year 2011 to 2012.
- ◆ County program expenses were 1.5%, or \$391,605 less in fiscal year 2012 than in 2011.
- ◆ The County's net assets decreased 1.5%, or \$583,017, during the year ended June 30, 2012.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the County's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Des Moines County, Iowa as a whole and present an overall view of the County's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Des Moines County, Iowa's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Des Moines County, Iowa acts solely as an agent or custodian for the benefit of those outside of County government (Agency Funds).

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the County's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds and the individual Agency Funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the County.

REPORTING THE COUNTY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the County's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the County's net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The County's governmental activities are presented in the Statement of Net Assets and the Statement of Activities. Governmental activities include public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, interest on long-term debt and non-program activities. Property tax and state and federal grants finance most of these activities.

Fund Financial Statements

The County has two kinds of funds:

1. Governmental funds account for most of the County's basic services. These focus on how money flows into and out of those funds, and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds such as Mental Health, Rural Services, and Secondary Roads, 3) the Debt Service Fund, and 4) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial statements provide a detailed, short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. Fiduciary funds are used to report assets held in a trust or agency capacity for others which cannot be used to support the County's own programs. These fiduciary funds include Agency Funds that account for drainage districts, emergency management services and the County Assessor, to name a few.

The required financial statement for fiduciary funds is a Statement of Fiduciary Assets and Liabilities.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net assets for governmental activities.

Net Assets of Governmental Activities

	2012	2011
Current and other assets	\$ 23,592,884	\$ 22,437,392
Capital assets	<u>34,599,110</u>	<u>35,067,219</u>
Total assets	<u>58,191,994</u>	<u>57,504,611</u>
Long-term debt outstanding	5,198,489	3,894,121
Other liabilities	<u>14,660,540</u>	<u>14,694,508</u>
Total liabilities	<u>19,859,029</u>	<u>18,588,629</u>
Net assets:		
Invested in capital assets, net of related debt	34,498,205	34,929,694
Restricted	4,685,210	3,791,993
Unrestricted	<u>(850,450)</u>	<u>194,295</u>
Total net assets	\$ <u>38,332,965</u>	\$ <u>38,915,982</u>

Net assets of the County's governmental activities decreased by 1.5% (\$38,332,965 compared to \$38,915,982). The largest portion of the County's net assets is the investment in capital assets (e.g., land, infrastructure, buildings, and equipment), net of related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – decreased from \$194,295 at June 30, 2011 to \$(850,450) at June 30, 2012, a decrease of 537.8%.

Changes in Net Assets of Governmental Activities

	2012	2011
Revenues:		
Program revenues:		
Charges for service	\$ 2,313,022	\$ 1,998,963
Operating grants, contributions and restricted interest	5,948,668	6,652,799
Capital grants, contributions and restricted interest	720,694	2,239,747
General revenues:		
Property and other County tax	12,788,043	12,542,755
Penalty and interest on property tax	120,038	148,447
State tax credits	413,247	417,898
Local option tax	1,792,744	1,747,901
Unrestricted investment earnings	79,433	116,919
Other general revenues	<u>163,258</u>	<u>221,615</u>
Total revenues	<u>24,339,147</u>	<u>26,087,044</u>
Expenses:		
Public safety and legal services	6,540,716	6,374,815
Physical health and social services	1,315,500	2,517,402
Mental health	5,119,816	4,627,146
County environment and education	1,561,182	1,684,949
Roads and transportation	6,135,978	5,856,974
Governmental services to residents	977,838	947,329
Administration	3,142,931	3,179,281
Interest on long-term debt	<u>128,203</u>	<u>125,873</u>
Total expenses	<u>24,922,164</u>	<u>25,313,769</u>
Changes in net assets	(583,017)	773,275
Net assets – Beginning of year	<u>38,915,982</u>	<u>38,142,707</u>
Net assets – End of year	\$ <u>38,332,965</u>	\$ <u>38,915,982</u>

The results of governmental activities for the year resulted in Des Moines County, Iowa's net assets decreasing by \$583,017. Revenues for governmental activities decreased by \$1,747,897 from the prior year, including decreases in capital grants, contributions and restricted interest. Expenditures decreased by \$391,605 including decreases in physical health and social services expenses.

The cost of all governmental activities this year was \$24,922,164 compared to \$25,313,769 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$15,939,780 because some of the cost was paid by those directly benefited from the programs (\$2,313,022) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,669,362).

INDIVIDUAL MAJOR FUND ANALYSIS

As the County completed the year, its governmental funds reported a combined fund balance of \$8,675,580, which is an increase of \$1,532,008 from last year's total of \$7,143,572.

- General Fund revenues and expenditures decreased by 13.3% and 4.2%, respectively, when compared to the prior year. The ending fund balance showed a decrease from the prior year of \$558,596 from \$1,987,177 to \$1,428,581.
- The County has continued to look for ways to effectively manage the cost of mental health services. For the year, expenditures totaled \$5,012,235, an increase of 11.9% from the prior year. The Mental Health Fund balance at year end increased by \$312,633 from the prior year due to increased revenues.
- Secondary Roads Fund expenses decreased \$811,591 from the prior year. As a result, there was an increase in the Secondary Roads Fund ending balance of \$542,508, or 18.5%.
- Rural Services Fund expenditures decreased \$196,483 from the previous year and its ending fund balance increased from the prior year by \$111,717 to \$217,621.
- During the year ended June 30, 2012, debt proceeds increased \$1,855,000 and transfers out in the Debt Service Fund increased \$432,938 from the prior year. At the end of the year, the ending fund balance in the Debt Service Fund had increased to \$3,101,961.

BUDGETARY HIGHLIGHTS

Over the course of the year, Des Moines County, Iowa amended its budget two times. The first amendment was made on April 1, 2012 and the second amendment was made on June 11, 2012. These amendments resulted in increases in budgeted disbursements in certain County departments. Even with these amendments, disbursements exceeded the amounts budgeted in the capital projects function.

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, Des Moines County, Iowa had \$34,599,110 invested in a broad range of capital assets, including public safety equipment, buildings, park facilities, and roads and bridges. This amount represents a net decrease (including additions, deletions and depreciation) of \$468,109 or 1.3% less than the prior year. The majority of this decrease was due to less construction in progress additions compared to depreciation expense in the current year.

Capital Assets of Governmental Activities at Year End

	<u>2012</u>	<u>2011</u>
Land	\$ 4,616,813	\$ 4,616,813
Intangibles (net)	213,705	235,256
Construction in progress	1,787,041	2,244,905
Buildings and improvements (net)	5,128,795	5,383,812
Equipment and vehicles (net)	2,764,642	2,537,462
Infrastructure (net)	<u>20,088,114</u>	<u>20,048,971</u>
Totals	\$ <u>34,599,110</u>	\$ <u>35,067,219</u>
The year's major additions included:		
Construction in progress	\$ 1,042,029	\$ 2,990,844
Buildings and improvements	54,431	53,882
Intangibles	-	115,174
Machinery and equipment	913,961	766,702
Land	-	<u>118,497</u>
	\$ <u>2,010,421</u>	\$ <u>4,045,099</u>

The County had depreciation expense of \$2,455,131 for the year ended June 30, 2012, and total accumulated depreciation as of June 30, 2012 of \$30,469,269.

Long-term Debt

At June 30, 2012, the County had \$5,198,489 in general obligation notes and other debt compared to \$3,894,121 at June 30, 2011, as shown below.

Outstanding Debt of Governmental Activities at Year-End

	<u>2011</u>	<u>2011</u>
Installment purchases	\$ -	\$ 66,758
General obligation capital loan notes	4,115,000	2,835,000
Capital leases	100,905	35,525
Compensated absences	819,159	789,228
Early retirement	106,895	124,386
Net OPEB liability	56,530	43,224
Totals	\$ <u>5,198,489</u>	\$ <u>3,894,121</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that counties can issue to 5% of the assessed value of all taxable property within the County's corporate limits. The County's outstanding general obligation debt is significantly below its constitution debt limit of \$70,348,445. Other obligations include compensated absences, early retirement, capital leases and net OPEB liability. Additional information about the County's long-term debt is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Des Moines County, Iowa's elected and appointed officials and citizens considered many factors when setting the 2013 fiscal year budget, tax rates, and the fees charged for the various County activities. One of those factors is the economy. Unemployment in the County (as of October 2012) now stands at 5.8% versus 6.7% a year ago. This compares with the State's unemployment rate of 5.1% and the national rate of 7.5%.

Inflation in the State is slightly lower than the national Consumer Price Index increase. The State's CPI increase was 4.637% for the twelve month period ended October 2012 compared with the national increase of 4.896%.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are increasing by \$1,367,588 compared to the final fiscal year 2012 budget. Intergovernmental revenues are expected to make up the majority of this increase. Budgeted disbursements are expected to decrease by \$2,125,941 compared to the final fiscal year 2012 budget. Decreases in capital projects, public safety and legal services and mental health expenditures represent the majority of the decrease. The County has added no major new programs or initiatives to the fiscal year 2013 budget.

If these estimates are realized, the County's budgetary operating balance is expected to decrease \$1,904,030 by the close of fiscal year 2013.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Des Moines County, Iowa's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Des Moines County Auditor's Office, 513 N. Main Street, Burlington, Iowa 52601.

BASIC FINANCIAL STATEMENTS

DES MOINES COUNTY, IOWA

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities
<u>ASSETS:</u>	
Cash and pooled investments	\$ 6,106,651
Cash with fiscal agent	1,399,344
Receivables:	
Property tax:	
Delinquent	53,335
Succeeding year	12,943,934
Interest and penalty on property tax	213,106
Accounts	111,374
Interest	7,012
Loan	1,685,000
Due from other governments	964,721
Inventories	108,407
Capital assets (net of accumulated depreciation)	34,599,110
Total assets	<u>58,191,994</u>
<u>LIABILITIES:</u>	
Accounts payable	462,437
Salaries and benefits payable	35,159
Due to other governments	994,427
Accrued interest	9,677
Renter's deposit	1,800
Deferred revenue:	
Succeeding year property tax	13,157,040
Long-term liabilities:	
Portion due or payable within one year:	
General obligation bonds	650,000
Early retirement	18,365
Compensated absences	408,561
Capital leases	40,251
Portion due or payable after one year:	
General obligation bonds	3,465,000
Early retirement	88,530
Compensated absences	410,598
Capital leases	60,654
Net OPEB liability	56,530
Total liabilities	<u>19,859,029</u>
<u>NET ASSETS:</u>	
Invested in capital assets, net of related debt	34,498,205
Restricted for:	
Mental health	382,402
Secondary roads	3,468,133
Rural services	217,621
Supplemental levy	522,555
Debt service	17,617
Other purposes	76,882
Unrestricted	(850,450)
Total net assets	<u>\$ 38,332,965</u>

DES MOINES COUNTY, IOWA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

		Program Revenues			
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Service</u>			
<u>FUNCTIONS/PROGRAMS:</u>					
Governmental activities:					
Public safety and legal services	\$ 6,540,716	\$ 676,370	\$ 55,845	\$ -	\$ (5,808,501)
Physical health and social services	1,315,500	345,473	172,307	-	(797,720)
Mental health	5,119,816	22,076	3,562,520	-	(1,535,220)
County environment and education	1,561,182	44,787	81,305	-	(1,435,090)
Roads and transportation	6,135,978	236,057	2,066,558	720,694	(3,112,669)
Governmental services to residents	977,838	902,645	10,133	-	(65,060)
Administration	3,142,931	85,614	-	-	(3,057,317)
Interest on longterm debt	128,203	-	-	-	(128,203)
Total	\$ <u>24,922,164</u>	\$ <u>2,313,022</u>	\$ <u>5,948,668</u>	\$ <u>720,694</u>	<u>(15,939,780)</u>
<u>GENERAL REVENUES:</u>					
Property and other County tax levied for:					
General purposes					12,493,972
Debt service					294,071
Local option tax					1,792,744
Penalty and interest on property tax					120,038
State tax credits					413,247
Unrestricted investment earnings					79,433
Loss on disposal of capital assets					(21,899)
Miscellaneous					<u>185,157</u>
Total general revenues					<u>15,356,763</u>
CHANGE IN NET ASSETS					
(583,017)					
<u>NET ASSETS - Beginning of year</u>					
<u>38,915,982</u>					
<u>NET ASSETS - End of year</u>					
\$ 38,332,965					

DES MOINES COUNTY, IOWA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue</u>		
		<u>Mental Health</u>	<u>Secondary Roads</u>	<u>Rural Services</u>
Cash and pooled investments	\$ 1,638,244	\$ 1,397,737	\$ 2,798,241	\$ 179,802
Cash with fiscal agent	-	-	-	-
Receivables:				
Property tax:				
Delinquent	37,433	7,038	-	7,644
Succeeding year	9,084,485	1,708,130	-	1,855,170
Interest and penalty on property tax	213,106	-	-	-
Accounts	107,204	1,963	337	-
Accrued interest	7,010	-	-	-
Loan	-	-	-	-
Due from other governments	243,787	89,618	584,300	47,016
Inventories	-	-	108,407	-
TOTAL ASSETS	\$ 11,331,269	\$ 3,204,486	\$ 3,491,285	\$ 2,089,632
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES:</u>				
Accounts payable	\$ 326,830	\$ 123,723	\$ 2,687	\$ 9,197
Salaries and benefits payable	14,488	206	20,465	-
Due to other governments	11,440	982,987	-	-
Renter's deposit	1,800	-	-	-
Deferred revenue:				
Succeeding year property tax	9,297,591	1,708,130	-	1,855,170
Other	250,539	7,038	-	7,644
Total liabilities	9,902,688	2,822,084	23,152	1,872,011
<u>FUND BALANCES:</u>				
Nonspendable:				
Inventories	-	-	108,407	-
Restricted for:				
Debt service	-	-	-	-
Supplemental levy purposes	522,555	-	-	-
Mental health	-	382,402	-	-
Secondary roads	-	-	3,359,726	-
Rural services	-	-	-	217,621
Other Purposes	105,218	-	-	-
Assigned for:				
County attorney collections	88,889	-	-	-
Geographic information system	131,462	-	-	-
Correctional facility	41,397	-	-	-
Sheriff reserve officers	3,539	-	-	-
Transitional apartments	14,531	-	-	-
Other Purposes	12,746	-	-	-
Unassigned	508,244	-	-	-
Total fund balances	1,428,581	382,402	3,468,133	217,621
TOTAL LIABILITIES AND FUND BALANCES	\$ 11,331,269	\$ 3,204,486	\$ 3,491,285	\$ 2,089,632

See Notes to Financial Statements

Debt Service	Nonmajor Governmental Funds	Total
\$ 17,617	\$ 75,010	\$ 6,106,651
1,399,344	-	1,399,344
1,220	-	53,335
296,149	-	12,943,934
-	-	213,106
-	1,870	111,374
-	2	7,012
1,685,000	-	1,685,000
-	-	964,721
-	-	108,407
<u>\$ 3,399,330</u>	<u>\$ 76,882</u>	<u>\$ 23,592,884</u>

\$ -	\$ -	\$ 462,437
-	-	35,159
-	-	994,427
-	-	1,800
296,149	-	13,157,040
1,220	-	266,441
<u>297,369</u>	<u>-</u>	<u>14,917,304</u>

-	-	108,407
3,101,961	-	3,101,961
-	-	522,555
-	-	382,402
-	-	3,359,726
-	-	217,621
-	76,882	182,100
-	-	88,889
-	-	131,462
-	-	41,397
-	-	3,539
-	-	14,531
-	-	12,746
-	-	508,244
<u>3,101,961</u>	<u>76,882</u>	<u>8,675,580</u>

<u>\$ 3,399,330</u>	<u>\$ 76,882</u>	<u>\$ 23,592,884</u>
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DES MOINES COUNTY, IOWA

RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

TOTAL GOVERNMENTAL FUND BALANCES	\$ 8,675,580
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AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$65,068,379 and the accumulated depreciation is \$30,469,269.

34,599,110

Because some revenues will not be collected for several months after year end they are deferred or not recorded in the governmental funds, as follows:

Property tax

266,441

Long-term liabilities, including accrued interest payable, general obligation capital loan notes, capital leases, compensated absences, early retirement and net OPEB liability, are not due and payable in the current period and, therefore, are not reported in the funds.

(5,208,166)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 38,332,965

DES MOINES COUNTY, IOWA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

		<u>Special Revenue</u>	
	<u>General</u>	<u>Mental Health</u>	<u>Secondary Roads</u>
<u>REVENUES:</u>			
Property and other County tax	\$ 9,517,002	\$ 1,684,337	\$ 896,372
Interest and penalty on property tax	120,038	-	-
Intergovernmental	1,363,557	3,618,459	3,184,113
Licenses and permits	64,151	-	6,945
Charges for service	757,250	-	19
Use of money and property	296,077	453	-
Miscellaneous	340,956	21,619	10,512
Total revenues	<u>12,459,031</u>	<u>5,324,868</u>	<u>4,097,961</u>
<u>EXPENDITURES:</u>			
Current:			
Public safety and legal services	6,440,181	-	-
Physical health and social services	1,301,073	-	-
Mental health	-	5,012,235	-
County environment and education	1,085,352	-	-
Roads and transportation	-	-	4,276,114
Governmental services to residents	973,376	-	-
Administration	3,255,349	-	-
Debt service	-	-	-
Capital projects	278,735	-	985,598
Total expenditures	<u>13,334,066</u>	<u>5,012,235</u>	<u>5,261,712</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(875,035)</u>	<u>312,633</u>	<u>(1,163,751)</u>
Other financial sources (uses):			
Sale of capital assets	-	-	1,500
Proceeds from capital lease	100,960	-	-
Proceeds from long-term debt	-	-	-
Transfers in	432,938	-	1,704,759
Transfers out	(217,459)	-	-
Total other financing sources (uses)	<u>316,439</u>	<u>-</u>	<u>1,706,259</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(558,596)</u>	<u>312,633</u>	<u>542,508</u>
<u>FUND BALANCES</u> - Beginning of year	<u>1,987,177</u>	<u>69,769</u>	<u>2,925,625</u>
<u>FUND BALANCES</u> - End of year	\$ <u>1,428,581</u>	\$ <u>382,402</u>	\$ <u>3,468,133</u>

See Notes to Financial Statements

<u>Special Revenue</u>				
<u>Rural</u>	<u>Debt</u>	<u>Nonmajor</u>		
<u>Services</u>	<u>Service</u>	<u>Governmental</u>	<u>Funds</u>	<u>Total</u>
\$ 2,118,450	\$ 292,410	\$ -	\$	14,508,571
-	-	-		120,038
55,862	89,682	18,139		8,329,812
-	-	-		71,096
575	-	6,887		764,731
-	1,215	57		297,802
1,973	-	-		375,060
<u>2,176,860</u>	<u>383,307</u>	<u>25,083</u>		<u>24,467,110</u>
73,817	-	-		6,513,998
-	-	-		1,301,073
-	-	-		5,012,235
453,526	-	-		1,538,878
50,500	-	-		4,326,614
-	-	4,462		977,838
-	-	-		3,255,349
-	702,244	-		702,244
-	-	-		1,264,333
<u>577,843</u>	<u>702,244</u>	<u>4,462</u>		<u>24,892,562</u>
<u>1,599,017</u>	<u>(318,937)</u>	<u>20,621</u>		<u>(425,452)</u>
-	-	-		1,500
-	-	-		100,960
-	1,855,000	-		1,855,000
-	-	-		2,137,697
<u>(1,487,300)</u>	<u>(432,938)</u>	<u>-</u>		<u>(2,137,697)</u>
<u>(1,487,300)</u>	<u>1,422,062</u>	<u>-</u>		<u>1,957,460</u>
111,717	1,103,125	20,621		1,532,008
<u>105,904</u>	<u>1,998,836</u>	<u>56,261</u>		<u>7,143,572</u>
\$ <u>217,621</u>	\$ <u>3,101,961</u>	\$ <u>76,882</u>	\$	<u>8,675,580</u>

DES MOINES COUNTY, IOWA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,532,008

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense and loss on disposal of capital assets exceeded capital expenditures in the current year as follows:

Expenditures for capital assets	\$ 1,774,896	
Capital assets contributed by the Iowa Department of Revenue and others	235,525	
Loss on disposal of capital assets	(23,399)	
Depreciation expense	<u>(2,455,131)</u>	(468,109)

Because some revenues will not be collected for several months after the County's year-end, they are not considered available revenues and are deferred or not recorded in the governmental funds, as follows:

Property tax	72,216	
Other	<u>(413,805)</u>	(341,589)

Proceeds from issuing long term liabilities provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year debt proceeds and repayments are as follows:

Proceeds	(1,955,960)	
Repaid	<u>677,338</u>	(1,278,622)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	17,491	
Interest on long-term debt	(959)	
Compensated absences	(29,931)	
Net OPEB liability	<u>(13,306)</u>	<u>(26,705)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (583,017)

DES MOINES COUNTY, IOWASTATEMENT OF FIDUCIARY ASSETS AND LIABILITIESAGENCY FUNDSJUNE 30, 2012ASSETS

Cash and pooled investments:	
County Treasurer	\$ 2,927,424
Other County officials	207,230
Receivables:	
Accounts receivable	20,279
Accrued interest	6
Property tax receivable:	
Delinquent	162,366
Succeeding year	39,404,029
Due to other governments	17,761
Total assets	<u>42,739,095</u>

LIABILITIES

Accounts payable	13,041
Due to other governments	42,566,169
Compensated absences	46,689
Trusts payable	113,196
Total liabilities	<u>42,739,095</u>

NET ASSETS \$ -

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Des Moines County, Iowa is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, Assessor and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Des Moines County, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of the organization's governing body and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Des Moines County Assessor's Conference Board, Des Moines County Emergency Management Commission and Des Moines County Joint E911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

The County also participates in the Des Moines County/City of Burlington Health Care Plan (Plan). The Plan was developed as the result of a 28E agreement between Des Moines County, Iowa and the City of Burlington, Iowa.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

The Statement of Net Assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the general operating fund of the County. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the county outside of incorporated city areas.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Secondary Roads Fund is used to account for the road use tax allocation from the State of Iowa, required transfers from the General and the Special Revenue, Rural Services Funds and other revenues to be used for secondary road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the County's general long-term debt.

Fiduciary Funds

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursements grant resources to such programs, followed by categorical block grants, and then by general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the County's policy is to pay the expenditure from restricted fund balance and then from less-restrictive classifications – committed, assigned and then unassigned fund balances.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for the investment in the Iowa Public Agency Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the County Board of Supervisors. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax payable period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March, 2011.

Interest and Penalty on Property Tax – Interest and penalty on property tax represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, intangibles and infrastructure assets acquired after July 1, 1980 (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the County), are reported in the governmental activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Land, buildings and improvements	5,000
Intangibles	50,000
Equipment and vehicles	5,000

Capital assets of the County are depreciated/amortized using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful lives (In Years)</u>
Infrastructure	10-65
Buildings	20-50
Building improvements	20-50
Intangibles	3-20
Equipment	3-20
Vehicles	5-15

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of property tax receivable not collected within 60 days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, Rural Services and Secondary Roads Funds.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Fund Equity (Continued)

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund Statement of Net Assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the Board of Supervisors through ordinance or resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Supervisors removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the Board of Supervisors intend to use for specific purposes.

Unassigned – All amounts not included in other classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, disbursements exceeded the amount budgeted in the capital projects function.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

NOTE 2: CASH AND POOLED INVESTMENTS

The County's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2: CASH AND POOLED INVESTMENTS (Continued)

At June 30, 2012, the County (held in escrow by Bankers Trust) had the following investments:

<u>Type</u>	<u>Fair Value</u>	<u>Maturities</u> <u>Year ended, June 30, 2013</u>
U.S. Treasury Notes	\$ <u>1,399,344</u>	<u>\$1,399,344</u>

The County had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$192,731 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The County's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the County.

Concentration of credit risk and custodial credit risk – The County places no limit on the amount that may be invested in any one issuer.

NOTE 3: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Amount</u>	<u>Transfer from</u>	<u>Amount</u>
Secondary Roads	\$ <u>1,704,759</u>	General Fund	\$ 217,459
		Rural Services	<u>1,487,300</u>
			<u>1,704,759</u>
General Fund	<u>432,938</u>	Debt Service Fund	<u>432,938</u>
	\$ <u>2,137,697</u>		\$ <u>2,137,697</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 was as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 4,616,813	\$ -	\$ -	\$ 4,616,813
Intangibles, road network	141,633	-	-	141,633
Intangibles, other	7,418	-	-	7,418
Construction in progress	246,153	321,335	-	567,488
Construction in progress, road network	<u>1,998,752</u>	<u>720,694</u>	<u>1,499,893</u>	<u>1,219,553</u>
Total capital assets not being depreciated/amortized	<u>7,010,769</u>	<u>1,042,029</u>	<u>1,499,893</u>	<u>6,552,905</u>
Capital assets being depreciated/ amortized:				
Buildings	7,368,118	-	-	7,368,118
Improvements other than buildings	2,267,957	54,431	-	2,322,388
Equipment and vehicles	8,804,701	913,961	401,348	9,317,314
Intangibles, other	214,706	-	-	214,706
Infrastructure, road network	35,271,830	1,499,893	-	36,771,723
Infrastructure, other	<u>2,521,225</u>	<u>-</u>	<u>-</u>	<u>2,521,225</u>
Total capital assets being depreciated/amortized	<u>56,448,537</u>	<u>2,468,285</u>	<u>401,348</u>	<u>58,515,474</u>
Less accumulated depreciation/ amortization for:				
Buildings	3,005,689	246,942	-	3,252,631
Improvements other than buildings	1,246,574	62,506	-	1,309,080
Equipment and vehicles	6,267,239	663,382	377,949	6,552,672
Intangibles, other	128,501	21,551	-	150,052
Infrastructure, road network	17,611,239	1,410,325	-	19,021,564
Infrastructure, other	<u>132,845</u>	<u>50,425</u>	<u>-</u>	<u>183,270</u>
Total accumulated depreciation/ amortization	<u>28,392,087</u>	<u>2,455,131</u>	<u>377,949</u>	<u>30,469,269</u>
Total capital assets being depreciated/amortized, net	<u>28,056,450</u>	<u>13,154</u>	<u>23,399</u>	<u>28,046,205</u>
Governmental activities capital assets, net	\$ <u>35,067,219</u>	\$ <u>1,055,183</u>	\$ <u>1,523,292</u>	\$ <u>34,599,110</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 200,062
Physical health and social services	10,620
Mental health	107,581
County environment and education	149,085
Roads and transportation	1,841,340
Administration	<u>146,443</u>
Total depreciation/amortization expense – governmental activities	\$ <u>2,455,131</u>

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 5: DUE TO OTHER GOVERNMENTS

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Services	\$ 11,440
Special Revenue:		
Mental Health	Services	982,987
Total for governmental funds		\$ <u>994,427</u>
Agency:		
Schools	Collections	\$ 21,275,747
Corporations		16,334,512
Community colleges		1,361,932
Auto license and use tax		847,783
County assessor		1,819,739
Townships		288,235
Agricultural extension education		243,145
All other		<u>395,076</u>
Total for agency funds		\$ <u>42,566,169</u>

NOTE 6: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	<u>General Obligation Capital Loan Notes</u>	<u>Capital Leases</u>	<u>Installment Purchases</u>	<u>Compensated Absences</u>	<u>Net OPEB Liability</u>	<u>Early Retirement</u>	<u>Total</u>
Balance beginning of year	\$ 2,835,000	\$ 35,525	\$ 66,758	\$ 789,228	\$ 43,224	\$ 124,386	\$ 3,894,121
Increases	1,855,000	100,960	-	819,159	13,306	-	2,788,425
Decreases	<u>(575,000)</u>	<u>(35,580)</u>	<u>(66,758)</u>	<u>(789,228)</u>	<u>-</u>	<u>(17,491)</u>	<u>(1,484,057)</u>
Balance end of year	\$ <u>4,115,000</u>	\$ <u>100,905</u>	\$ <u>-</u>	\$ <u>819,159</u>	\$ <u>56,530</u>	\$ <u>106,895</u>	\$ <u>5,198,489</u>
Due within one year	\$ <u>650,000</u>	\$ <u>40,251</u>	\$ <u>-</u>	\$ <u>408,561</u>	\$ <u>-</u>	\$ <u>18,365</u>	\$ <u>1,117,177</u>

DES MOINES COUNTY, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6: LONG-TERM LIABILITIES (Continued)

A summary of the County's June 30, 2012 general obligation capital loan note indebtedness is as follows:

Year Ending June 30,	<u>Series 2007</u> Issued October 1, 2007			<u>Series 2009</u> Issued June 15, 2009			<u>Series 2011A</u> Issued October 18, 2011		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2013	3.95 %	\$ 310,000	\$ 68,310	3.00 %	\$ 285,000	\$ 17,250	- %	\$ -	\$ -
2014	4.00	325,000	56,065	3.00	290,000	8,700	2.00	345,000	26,293
2015	4.05	335,000	43,065	-	-	-	2.00	350,000	19,393
2016	4.10	350,000	29,498	-	-	-	2.00	355,000	12,392
2017	4.15	365,000	15,147	-	-	-	1.45	365,000	5,292
2018	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-
		<u>\$ 1,685,000</u>	<u>\$ 212,085</u>		<u>\$ 575,000</u>	<u>\$ 25,950</u>		<u>\$ 1,415,000</u>	<u>\$ 63,370</u>

Year Ending June 30,	<u>Series 2012</u> Issued June 1, 2012			<u>Total</u>	
	Interest Rate	Principal	Interest	Principal	Interest
2013	0.70 %	\$ 55,000	\$ 5,381	\$ 650,000	\$ 90,941
2014	0.80	60,000	5,485	1,020,000	96,543
2015	1.05	65,000	5,005	750,000	67,463
2016	1.25	65,000	4,323	770,000	46,213
2017	1.50	65,000	3,510	795,000	23,949
2018	1.80	65,000	2,535	65,000	2,535
2019	2.10	65,000	1,365	65,000	1,365
		<u>\$ 440,000</u>	<u>\$ 27,604</u>	<u>\$ 4,115,000</u>	<u>\$ 329,009</u>

During the year ended June 30, 2012, the County issued \$1,855,000 and retired \$575,000 of general obligation capital loan notes.

On October 18, 2011, the County issued \$1,415,000 of General Obligation Crossover Refunding Capital Loan Notes, Series 2011A to advance refund the General Obligation Capital Loan Notes, Series 2007. The bonds are due in varying annual installments each June 1, from June 1, 2014 through June 1, 2017, with an interest rate ranging from 1.45% to 2.00% due semiannually on June 1 and December 1. The County reduced its total debt services payments by \$43,854 and obtained an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$42,298. Future property tax levies are dedicated to the retirement of these notes. The refunding notes' proceeds will be maintained in escrow until June 1, 2013 when the refunded notes are called.

The Des Moines County Regional Solid Waste Commission has agreed to pay the County for the principal and interest on the Series 2007 capital loan notes as they become due. The County reports a loan receivable in the Debt Service Fund equal to the principal outstanding on these general obligation capital loan notes.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 6: LONG-TERM LIABILITIES (Continued)

Capital Lease Purchase Agreements

The County has entered into two capital lease purchase agreements to lease a telephone system and a data storage system. The following is a schedule of the future minimum lease payments, including interest at 12.516% and 5.389% per annum, respectively and the present value of net minimum lease payments under the agreements in effect at June 30, 2012:

Year Ended	
<u>June 30,</u>	
2013	\$ 46,581
2014	46,581
2015	13,252
2016	<u>5,978</u>
Total minimum lease payments	112,392
Less amount representing interest	<u>(11,487)</u>
Present value of net minimum lease payments	\$ <u>100,905</u>

Payments under capital lease purchase agreements totaled \$40,521 for the year ended June 30, 2012.

NOTE 7: PENSION AND RETIREMENT BENEFITS

The County contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the County is required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the County contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The County's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$679,686, \$605,390 and \$548,921, respectively, equal to the required contributions for each year.

NOTE 8: RISK MANAGEMENT

Des Moines County, Iowa is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 8: RISK MANAGEMENT (Continued)

The County's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The County's annual contributions to the Pool for the year ended June 30, 2012 were \$224,485.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The County does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2012, no liability has been recorded in the County's financial statements. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The County also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. The County assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The County operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 151 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits, which is a partially self-funded medical plan, is administered by Employee Benefits Systems. The dental benefit is administered by Delta Dental of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the County. The County currently finances the retiree benefit plan on a pay-as-you-go basis.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation – The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the County's net OPEB obligation:

Annual required contribution	\$ 50,233
Interest on net OPEB obligation	545
Adjustment to annual required contribution	<u>(1,740)</u>
Annual OPEB cost	49,038
Contributions made	<u>(35,732)</u>
Increase in net OPEB cost	13,306
Net OPEB obligation beginning of year	<u>43,224</u>
Net OPEB obligation end of year	\$ <u>56,530</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, the County contributed \$35,732 to the medical plan. Plan members eligible for benefits contributed \$39,820 or 52.7% of the premium costs.

The County's Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2010	\$ <u>38,905</u>	69.0%	\$ <u>28,944</u>
2011	\$ <u>38,300</u>	62.7%	\$ <u>43,244</u>
2012	\$ <u>49,038</u>	72.9%	\$ <u>56,530</u>

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$593,301 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$593,301. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,658,393 and the ratio of the UAAL to covered payroll was 7.75%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Other Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

DES MOINES COUNTY, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2011 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 1.25% discount rate based on the County's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 4%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. An inflation rate of 0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Termination rates used in the actuarial valuation are based upon national termination studies performed by the Society of Actuaries. They were adjusted to reflect the recent lower termination rates experienced by Des Moines County. Retirement rates used in the actuarial valuation were developed based upon recent Des Moines County experience.

Projected claim costs of the medical plan are \$469 (\$1,215 for retiree and spouse coverage) per month for retirees less than age 65. The salary increase rate was assumed to be 0% per year. The UAAL is being amortized as a level dollar amount over 30 years.

NOTE 10: EMPLOYEE HEALTH INSURANCE PLAN

The County, in conjunction with the City of Burlington, the Southeast Iowa Regional Airport Authority (SIRAA) and other organizations, entered into an agreement as authorized by Chapter 28E of the Code of Iowa for health insurance which is funded through employer and employee contributions. The County, the City, SIRAA and the other participating organizations are contingently liable with respect to medical claims made by the participants in the plan. The plan is partially self insured. Claims based on occurrences prior to July 1, 1983 remain insured under previous insurance policies. All claims handling procedures are performed by an independent claims administrator. Settled claims have not exceeded the plan coverage during any of the past three years.

The unaudited cash balance of the Des Moines County/City of Burlington Health Care Plan was \$166,363 at June 30, 2012. The plan had unaudited claims expense, after reinsurance reimbursement, of \$6,019,528 for the plan year ended June 30, 2012.

NOTE 11: RECLASSIFICATIONS

Certain amounts for the year ended June 30, 2011 and before have been reclassified to conform to June 30, 2012 presentation.

NOTE 12: SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 26, 2013, the date the financial statements were available to be issued.

OTHER INFORMATION

DES MOINES COUNTY, IOWA

BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2012

	Governmental Fund Types	<u>Budgeted Amounts</u>		Final to Actual Variance - Positive (Negative)
	<u>Actual</u>	<u>Original</u>	<u>Final</u>	
<u>RECEIPTS:</u>				
Property and other County tax	\$ 14,438,489	\$ 14,411,483	\$ 14,411,483	\$ 27,006
Interest and penalty on property tax	126,874	142,900	142,900	(16,026)
Intergovernmental	9,402,430	6,380,967	6,380,967	3,021,463
Licenses and permits	71,222	46,540	46,540	24,682
Charges for service	895,515	1,002,700	1,002,700	(107,185)
Use of money and property	145,735	205,035	205,035	(59,300)
Miscellaneous	448,251	329,150	329,150	119,101
Total receipts	<u>25,528,516</u>	<u>22,518,775</u>	<u>22,518,775</u>	<u>3,009,741</u>
<u>DISBURSEMENTS:</u>				
Public safety and legal services	6,513,829	6,359,144	6,855,644	341,815
Physical health and social services	1,324,918	1,803,827	1,803,827	478,909
Mental health	4,903,365	4,555,691	5,500,001	596,636
County environment and education	1,561,153	1,617,056	1,617,056	55,903
Roads and transportation	4,649,931	5,270,544	5,355,544	705,613
Governmental services to residents	999,017	1,070,886	1,070,886	71,869
Administration	3,205,160	3,548,666	3,548,666	343,506
Debt Service	681,510	681,710	681,710	200
Capital projects	1,859,844	1,183,000	1,483,000	(376,844)
Total disbursements	<u>25,698,727</u>	<u>26,090,524</u>	<u>27,916,334</u>	<u>2,217,607</u>
Excess (deficiency) of receipts over (under) disbursements	(170,211)	(3,571,749)	(5,397,559)	5,227,348
Other financing sources, net	<u>487,637</u>	<u>-</u>	<u>440,000</u>	<u>47,637</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	317,426	(3,571,749)	(4,957,559)	5,274,985
<u>BALANCE - Beginning of year</u>	<u>5,789,225</u>	<u>5,648,550</u>	<u>5,648,550</u>	<u>140,675</u>
<u>BALANCE - End of year</u>	\$ <u>6,106,651</u>	\$ <u>2,076,801</u>	\$ <u>690,991</u>	\$ <u>5,415,660</u>

See Accompanying Independent Auditor's Report

DES MOINES COUNTY, IOWA

BUDGET TO GAAP RECONCILIATION

OTHER INFORMATION

YEAR ENDED JUNE 30, 2012

	<u>Governmental Fund Types</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 25,528,516	\$ (1,061,406)	\$ 24,467,110
Expenditures	<u>25,698,727</u>	<u>(806,165)</u>	<u>24,892,562</u>
Net	(170,211)	(255,241)	(425,452)
Other financing sources (uses)	487,637	1,469,823	1,957,460
Beginning fund balance	<u>5,789,225</u>	<u>1,354,347</u>	<u>7,143,572</u>
Ending fund balance	\$ <u>6,106,651</u>	\$ <u>2,568,929</u>	\$ <u>8,675,580</u>

DES MOINES COUNTY, IOWA

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2012

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, governmental services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$1,825,810. These budget amendments are reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E911 System by the Joint E911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the Capital Projects Function.

DES MOINES COUNTY, IOWA

SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN

OTHER INFORMATION

<u>Fiscal</u> <u>Year</u>	<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
2010	July 1, 2008	\$ <u>-</u>	\$ <u>395,572</u>	\$ <u>395,572</u>	0.00%	\$ <u>7,700,000</u>	5.14%
2011	July 1, 2008	\$ <u>-</u>	\$ <u>395,572</u>	\$ <u>395,572</u>	0.00%	\$ <u>7,900,000</u>	5.01%
2012	July 1, 2011	\$ <u>-</u>	\$ <u>593,301</u>	\$ <u>593,301</u>	0.00%	\$ <u>7,658,393</u>	7.75%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

DES MOINES COUNTY, IOWA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>Special Revenue</u>		<u>Total</u>
	<u>Resource Enhancement and Protection</u>	<u>County Recorder's Records Management</u>	
<u>ASSETS</u>			
Cash and pooled investments	\$ 72,630	\$ 2,380	\$ 75,010
Receivables:			
Accounts receivable	-	1,870	1,870
Accrued interest	<u>2</u>	<u>-</u>	<u>2</u>
TOTAL ASSETS	\$ <u>72,632</u>	\$ <u>4,250</u>	\$ <u>76,882</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
None	\$ -	\$ -	\$ -
<u>FUND BALANCES:</u>			
Restricted for:			
Other purposes	<u>72,632</u>	<u>4,250</u>	<u>76,882</u>
Total fund balance	<u>72,632</u>	<u>4,250</u>	<u>76,882</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ <u>72,632</u>	\$ <u>4,250</u>	\$ <u>76,882</u>

DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2012

	<u>Special Revenue</u>		
	<u>Resource</u>	<u>County</u>	
	<u>Enhancement</u>	<u>Recorder's</u>	
	<u>and</u>	<u>Records</u>	
	<u>Protection</u>	<u>Management</u>	<u>Total</u>
<u>REVENUES:</u>			
Intergovernmental	\$ 18,139	\$ -	\$ 18,139
Charges for service	-	6,887	6,887
Use of money and property	57	-	57
Total revenues	<u>18,196</u>	<u>6,887</u>	<u>25,083</u>
<u>EXPENDITURES:</u>			
Operating:			
Governmental services to residents	-	4,462	4,462
Total expenditures	<u>-</u>	<u>4,462</u>	<u>4,462</u>
Excess of revenues over expenditures	<u>18,196</u>	2,425	20,621
<u>FUND BALANCES</u> - Beginning of year	<u>54,436</u>	<u>1,825</u>	<u>56,261</u>
<u>FUND BALANCES</u> - End of year	\$ <u>72,632</u>	\$ <u>4,250</u>	\$ <u>76,882</u>

See Accompanying Independent Auditor's Report

DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2012

		<u>County Offices</u>	<u>Corporations</u>
<u>ASSETS</u>			
Cash and pooled investments:			
County Treasurer	\$	-	\$ 186,556
Other County officials		207,230	-
Receivables:			
Accounts receivable		-	-
Accrued interest		-	-
Property tax:			
Delinquent		-	66,265
Succeeding year		-	16,081,691
Due from other governments		-	-
TOTAL ASSETS	\$	<u>207,230</u>	\$ <u>16,334,512</u>
<u>LIABILITIES</u>			
Accounts payable	\$	-	\$ -
Due to other governments		94,034	16,334,512
Compensated absences		-	-
Trusts payable		<u>113,196</u>	-
TOTAL LIABILITIES	\$	<u>207,230</u>	\$ <u>16,334,512</u>

<u>Townships</u>	<u>Schools</u>	<u>Community Colleges</u>
\$ 2,657	\$ 263,338	\$ 16,439
-	-	-
-	-	-
-	-	-
1,172	86,227	5,521
284,406	20,926,182	1,339,972
-	-	-
<u>\$ 288,235</u>	<u>\$ 21,275,747</u>	<u>\$ 1,361,932</u>
\$ -	\$ -	\$ -
288,235	21,275,747	1,361,932
-	-	-
-	-	-
<u>\$ 288,235</u>	<u>\$ 21,275,747</u>	<u>\$ 1,361,932</u>

DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUNDS

JUNE 30, 2012

	<u>Drainage and Levee Districts</u>	<u>County Assessor</u>
<u>ASSETS</u>		
Cash and pooled investments:		
County Treasurer	\$ 11,278	\$ 1,312,468
Other County officials	-	-
Receivables:		
Accounts receivable	-	-
Accrued interest	-	-
Property tax:		
Delinquent	-	2,160
Succeeding year	-	524,084
Due from other governments	-	-
	<u>-</u>	<u>-</u>
TOTAL ASSETS	\$ <u>11,278</u>	\$ <u>1,838,712</u>
<u>LIABILITIES</u>		
Accounts payable	\$ -	\$ 1,680
Due to other governments	11,278	1,819,739
Compensated absences	-	17,293
Trusts payable	-	-
	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	\$ <u>11,278</u>	\$ <u>1,838,712</u>

Schedule 3
(Continued)

<u>Agricultural Extension Education</u>	<u>Auto License and Use Tax</u>	<u>Special Assessments</u>	<u>Other</u>	<u>Total</u>
\$ 2,951	\$ 847,783	\$ 6,355	\$ 277,599	\$ 2,927,424
-	-	-	-	207,230
-	-	-	20,279	20,279
-	-	-	6	6
986	-	-	35	162,366
239,208	-	-	8,486	39,404,029
-	-	-	17,761	17,761
<u>\$ 243,145</u>	<u>\$ 847,783</u>	<u>\$ 6,355</u>	<u>\$ 324,166</u>	<u>\$ 42,739,095</u>
\$ -	\$ -	\$ -	\$ 11,361	\$ 13,041
243,145	847,783	6,355	283,409	42,566,169
-	-	-	29,396	46,689
-	-	-	-	113,196
<u>\$ 243,145</u>	<u>\$ 847,783</u>	<u>\$ 6,355</u>	<u>\$ 324,166</u>	<u>\$ 42,739,095</u>

DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2012

<u>ASSETS AND LIABILITIES</u>	<u>County Offices</u>	<u>Corporations</u>
Balances beginning of year	\$ <u>149,454</u>	\$ <u>16,656,688</u>
Additions:		
Property and other County tax	-	14,750,844
E911 surcharge	-	-
State tax credits	-	786,043
Assessments	-	-
Office fees and collections	582,642	-
Auto licenses, use tax and postage	-	-
Trusts	996,161	-
Miscellaneous	<u>626</u>	<u>-</u>
Total additions	<u>1,579,429</u>	<u>15,536,887</u>
Deductions:		
Agency remittances:		
To other funds	238,369	-
To other governments	275,202	15,859,063
Trusts paid out	<u>1,008,082</u>	<u>-</u>
Total deductions	<u>1,521,653</u>	<u>15,859,063</u>
Balances end of year	\$ <u>207,230</u>	\$ <u>16,334,512</u>

<u>Townships</u>	<u>Schools</u>	<u>Community Colleges</u>
\$ <u>293,781</u>	\$ <u>21,043,738</u>	\$ <u>1,342,078</u>
248,789	19,931,838	1,249,541
-	-	-
34,195	1,826,916	111,066
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>282,984</u>	<u>21,758,754</u>	<u>1,360,607</u>
-	-	-
288,530	21,526,745	1,340,753
-	-	-
<u>288,530</u>	<u>21,526,745</u>	<u>1,340,753</u>
\$ <u>288,235</u>	\$ <u>21,275,747</u>	\$ <u>1,361,932</u>

DES MOINES COUNTY, IOWA

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
YEAR ENDED JUNE 30, 2012

<u>ASSETS AND LIABILITIES</u>	<u>Drainage and Levee Districts</u>	<u>County Assessor</u>	<u>Agricultural Extension Education</u>
Balances beginning of year	\$ <u>5,654,099</u>	\$ <u>1,773,734</u>	\$ <u>231,289</u>
Additions:			
Property and other County tax	-	529,174	229,817
E911 surcharge	-	-	-
State tax credits	-	18,599	19,959
Assessments	1,030,330	-	-
Office fees and collections	-	-	-
Auto licenses, use tax and postage	-	-	-
Trusts	-	-	-
Miscellaneous	<u>11,323</u>	<u>114</u>	-
Total additions	<u>1,041,653</u>	<u>547,887</u>	<u>249,776</u>
Deductions:			
Agency remittances:			
To other funds	-	-	-
To other governments	6,684,474	482,909	237,920
Trusts paid out	-	-	-
Total deductions	<u>6,684,474</u>	<u>482,909</u>	<u>237,920</u>
Balances end of year	\$ <u><u>11,278</u></u>	\$ <u><u>1,838,712</u></u>	\$ <u><u>243,145</u></u>

<u>Auto License and Use Tax</u>	<u>Special Assessments</u>	<u>Other</u>	<u>Total</u>
\$ <u>821,845</u>	\$ <u>338,727</u>	\$ <u>277,854</u>	\$ <u>48,583,287</u>
-	-	7,866	36,947,869
-	-	148,981	148,981
-	-	346	2,797,124
-	39,871	-	1,070,201
-	-	-	582,642
9,511,394	-	-	9,511,394
-	-	1,268,409	2,264,570
-	-	219,735	231,798
<u>9,511,394</u>	<u>39,871</u>	<u>1,645,337</u>	<u>53,554,579</u>
302,407	-	-	540,776
9,183,049	372,243	330,616	56,581,504
-	-	1,268,409	2,276,491
<u>9,485,456</u>	<u>372,243</u>	<u>1,599,025</u>	<u>59,398,771</u>
\$ <u>847,783</u>	\$ <u>6,355</u>	\$ <u>324,166</u>	\$ <u>42,739,095</u>

DES MOINES COUNTY, IOWA

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>REVENUES:</u>			
Property and other County tax	\$ 14,508,571	\$ 14,295,704	\$ 13,714,359
Interest and penalty on property tax	120,038	164,529	163,033
Intergovernmental	8,329,812	8,618,044	9,556,689
Licenses and permits	71,096	61,673	58,191
Charges for service	764,731	904,936	846,341
Use of money and property	297,802	174,023	185,716
Miscellaneous	<u>375,060</u>	<u>468,323</u>	<u>370,777</u>
Total	\$ <u>24,467,110</u>	\$ <u>24,687,232</u>	\$ <u>24,895,106</u>
<u>EXPENDITURES:</u>			
Operating:			
Public safety and legal services	\$ 6,513,998	\$ 6,142,696	\$ 5,944,231
Physical health and social services	1,301,073	1,476,490	1,716,480
Mental health	5,012,235	4,479,644	4,146,119
County environment and education	1,538,878	1,524,908	1,029,673
Roads and transportation	4,326,614	4,712,600	4,331,366
Governmental services to residents	977,838	947,329	983,904
Administration	3,255,349	3,213,391	3,416,506
Debt service	702,244	682,120	680,164
Capital projects	<u>1,264,333</u>	<u>2,881,161</u>	<u>3,010,231</u>
Total	\$ <u>24,892,562</u>	\$ <u>26,060,339</u>	\$ <u>25,258,674</u>

Modified Accrual Basis						
2009	2008	2007	2006	2005	2004	2003
\$ 12,258,888	\$ 12,164,999	\$ 11,965,029	\$ 12,112,014	\$ 12,006,165	\$ 10,563,405	\$ 10,451,910
139,080	155,192	146,154	130,631	115,554	182,952	138,048
8,878,429	7,437,076	8,985,811	8,508,380	8,913,042	7,763,991	8,602,070
49,801	46,595	46,448	42,840	43,784	43,085	45,752
839,550	889,796	878,146	972,357	827,429	892,684	894,786
246,963	562,031	727,814	527,215	235,286	144,012	274,253
<u>771,771</u>	<u>555,803</u>	<u>526,168</u>	<u>598,159</u>	<u>370,840</u>	<u>422,175</u>	<u>183,765</u>
\$ <u>23,184,482</u>	\$ <u>21,811,492</u>	\$ <u>23,275,570</u>	\$ <u>22,891,596</u>	\$ <u>22,512,100</u>	\$ <u>20,012,304</u>	\$ <u>20,590,584</u>
\$ 5,587,657	\$ 6,132,958	\$ 5,119,567	\$ 4,705,552	\$ 4,681,993	\$ 4,584,761	\$ 4,223,090
2,249,501	2,722,094	2,193,961	2,067,305	2,161,440	2,137,665	1,766,379
3,964,269	4,331,182	3,692,161	3,629,867	3,200,582	3,334,802	3,786,227
1,293,605	1,505,475	1,714,377	1,015,426	975,386	852,565	903,868
4,312,514	4,212,851	3,026,353	4,334,384	3,339,170	3,235,696	3,903,168
931,875	867,939	702,324	909,301	682,478	597,698	639,331
3,132,367	3,360,284	4,335,439	4,678,468	3,621,634	3,587,116	4,212,616
578,263	523,361	198,327	140,324	16,871	-	-
<u>1,445,472</u>	<u>1,273,863</u>	<u>1,820,955</u>	<u>1,074,528</u>	<u>2,948,601</u>	<u>1,379,729</u>	<u>1,778,899</u>
\$ <u>23,495,523</u>	\$ <u>24,930,007</u>	\$ <u>22,803,464</u>	\$ <u>22,555,155</u>	\$ <u>21,628,155</u>	\$ <u>19,710,032</u>	\$ <u>21,213,578</u>

DES MOINES COUNTY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

<u>GRANTOR/PROGRAM:</u>	<u>CFDA Number</u>	<u>Agency or Pass- Through Number</u>	<u>Program Expenditures</u>
<u>INDIRECT:</u>			
<u>United States Department of Agriculture:</u>			
Iowa Department of Human Services:			
State Administration Matching Grants for the Supplemental Nutrition Program	10.561	-	\$ 32,299
<u>United States Department of Defense:</u>			
Iowa Treasurer of State:			
Payments to States in Lieu of Real Estate Taxes	12.112	-	8,952
<u>United States Department of Justice:</u>			
Iowa Department of Justice:			
Criminal Victim Assistance	16.575	VA-12-07	19,250
<u>United States Department of Housing and Urban Development:</u>			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	08-DRHB-219	235,017
<u>United States Department of Transportation:</u>			
Iowa Department of Transportation:			
Highway Planning and Construction - ARRA	20.205	STP-ES-E-C029(057)--8T-29	163,698
Highway Planning and Construction - ARRA	20.205	BROS-C029(59)--8J-29	47,626
Highway Planning and Construction - ARRA	20.205	BROS-C029(62)--8J-29	27,888
			239,212
Iowa Department of Public Safety:			
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	-	643
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	-	1,793
			2,436
<u>United States Department of Homeland Security:</u>			
Iowa Department of Public Defense:			
Emergency Management Performance Grants	97.042	-	34,106
<u>United States Department of Health and Human Services:</u>			
Iowa Department of Public Health:			
Immunization Cooperative Agreements	93.268	5881I425	8,862
Immunization Cooperative Agreements	93.268	5882I425	13,615
			22,477
Public Health Emergency Preparedness	93.069	5881BT29	6,084
Public Health Emergency Preparedness	93.069	5882BT29	15,643
			21,727
Iowa Department of Human Services:			
Refugee and Entrant Assistance - State Administered Programs	93.566	-	56
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	-	7,198

DES MOINES COUNTY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

GRANTOR/PROGRAM:	CFDA Number	Agency or Pass- Through Number	Program Expenditures
<u>INDIRECT: (Continued)</u>			
<u>United States Department of Health and Human Services:</u>			
(Continued)			
Iowa Department of Human Services: (Continued)			
Foster Care Title IV-E - ARRA	93.658	-	11,796
Adoption Assistance - ARRA	93.659	-	3,434
Social Services Block Grant	93.667	-	10,308
Social Services Block Grant	93.667	-	205,593
			215,901
Child's Health Insurance Program	93.767	-	112
Medical Assistance Program	93.778	-	30,334
<u>United States Department of Homeland Security:</u>			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	-	173,945
Iowa Northland Regional Council on Governments:			
Homeland Security Grant Program	97.067	-	3,602
Total			\$ 1,061,854

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Des Moines County, Iowa and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHERS MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Officials of Des Moines County, Iowa:

We have audited the accompanying financial statements of the government activities, each major fund and the aggregate remaining fund information of Des Moines County, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements listed in the table of contents and have issued our report thereon dated March 26, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Des Moines County, Iowa is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Des Moines County, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Des Moines County, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Des Moines County, Iowa's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weakness have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 12-II-A to be a material weakness.

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 12-II-B, 12-II-C, 12-II-D and 12-II-E to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Des Moines County, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Des Moines County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Des Moines County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Des Moines County, Iowa and other parties to whom Des Moines County, Iowa may report including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Des Moines County, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 26, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Officials of Des Moines County, Iowa

Compliance

We have audited the compliance of Des Moines County, Iowa with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have direct and material effect on its major federal programs for the year ended June 30, 2012. Des Moines County, Iowa's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Des Moines County, Iowa's management. Our responsibility is to express an opinion on Des Moines County, Iowa's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Des Moines County, Iowa's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Des Moines County, Iowa's compliance with those requirements.

In our opinion, Des Moines County, Iowa complied, in all material respects, with the requirements referred to above that could have direct and material effect on its major federal programs for the year ended June 30, 2012. The results of our auditing procedures disclosed no instances of non-compliance with those requirements which are required to be reported in accordance with OMB Circular A-133.

Internal Control over Compliance

The management of Des Moines County, Iowa, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Des Moines County, Iowa's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Des Moines County, Iowa's internal control over compliance.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We noted no deficiencies in internal control over compliance that we consider to be material weaknesses. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Des Moines County, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Des Moines County, Iowa's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Des Moines County, Iowa and other parties to whom Des Moines County, Iowa may report, including federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa
March 26, 2013

DES MOINES COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results

- a. Unqualified opinions were issued on the financial statements.
- b. Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. No material weaknesses in internal control over the major programs were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major programs were CFDA Number: 14.228 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
93.667 Social Services Block Grant
20.205 Highway Planning and Construction - ARRA
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Des Moines County did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements

Internal Control Deficiencies:

12-II-A Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the County's financial statements. Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- 1) Conservation - Collection and deposit preparation functions were not performed by an individual who does not record and account for cash receipts.
- 2) Sheriff (Civil) - Checks are not signed by an individual who does not participate in the preparation of the checks.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each official should review the operating procedures of their office to obtain the maximum internal control possible under the circumstances. The officials should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons, to the extent possible, and should be evidenced by initials or signature of the reviewer and the date of the review.

Responses –

Conservation – We are aware of this issue and we will continue to find a way to resolve the issue.

Sheriff – The office is currently using a supervisor to do a random review on checks written by the civil division. That supervisor then initials the report which documents the checks which were reviewed. In the future, a copy of reports that are reviewed will be kept in a separate file for the independent auditor.

DES MOINES COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part II: Findings Related to the Financial Statements (Continued)

12-II-A Segregation of Duties(continued)

Conclusions –

Conservation and Sheriff – Responses accepted.

12-II-B Sheriff Law Enforcement Contracts – The Sheriff maintains records of contract law enforcement billings, collections and outstanding balances, but the reports are not reviewed and reconciled by an independent person.

Recommendation – An independent person should reconcile and review the contract law enforcement billings and collections.

Response – Each month a revenue report is sent by the Auditor's Office to the Sheriff's Office indicating payments made by cities under contract with the County for law enforcement coverage. The revenue report will be reviewed by a Sheriff's Office Administrator on a quarterly basis to ensure financial terms of the contract are being met. A copy of the report will be initialed by the reviewer and kept in a separate file for independent auditor.

Conclusion – Response accepted.

12-II-C Public Health Nurse – Nursing service billings, collections and balances were not reconciled each month.

Recommendation – Nursing service billings, collections and balances should be reconciled monthly.

Response – The bookkeeper will prepare the nursing reconciliation spreadsheet and post collections as they are received.

Conclusion – Response accepted.

12-II-D Weapon Permit Revenue – The Sheriff's office remits the County's share of weapon permits to the County Treasurer. The weapon permit collections are not reconciled to the Treasurer's miscellaneous receipts.

Recommendation – Weapon permit collections and miscellaneous receipts should be reconciled to ensure all collections are deposited with the County Treasurer.

Response – The County's share of weapon permit monies collected will be deposited with the County Treasurer. Each month the weapon permit collections and miscellaneous receipts will be reconciled to ensure all collections are properly documented and deposited with the County Treasurer.

Conclusion – Response accepted.

12-II-E Timely Deposits – Conservation and Secondary Roads collections were not always deposited with the County Treasurer timely.

Recommendations – Receipts should be deposited with the County Treasurer's Office on a timely basis.

DES MOINES COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part II: Findings Related to the Financial Statements (Continued)

12-II-E Timely Deposits: (Continued)

Responses –

Conservation Board – We will do our best to get deposits to the County Treasurer's office within 10 working days.

Secondary Roads – We will continue to try to improve on this subject.

Conclusions – Responses accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questions Costs For Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

- 12-IV-A Certified Budget – Disbursements during the year ended June 30, 2012 exceeded the amounts budgeted in the Capital Projects function.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before expenditures were allowed to exceed budget.

Response – We will do so from now on.

Conclusion – Response accepted

- 12-IV-B Questionable Expenditures – No expenditures were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

- 12-IV-C Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.

- 12-IV-D Business transactions – No business transactions between the County and County officials or employees were noted.

- 12-IV-E Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of surety bond coverage should be reviewed annually to ensure the coverage is adequate for current operations.

- 12-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not. The minutes from the Board of Supervisor's meetings for December 13, 2011, January 10, 2012 and February 7, 2012 were not published within one week of approval.

Recommendation – The County should ensure minutes are published as required by the Code of Iowa.

Response – We will do so from now on.

Conclusion – Response accepted

DES MOINES COUNTY, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

Part IV: Other Findings Related to Required Statutory Reporting (Continued)

- 12-IV-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the County's investment policy were noted.
- 12-IV-H Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- 12-IV-I County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an Extension Council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2012 for the County Extension Office did not exceed the amount budgeted.

- 12-IV-J Outstanding Checks – The Sheriff's Office has outstanding checks over one year old.

Recommendation – In accordance with Chapter 331.554(6) of the Code of Iowa, the Sheriff's Office should void and remit checks outstanding for more than one year to the General Fund.

Response – The Sheriff's Office will void and remit checks outstanding for more than one year to the County General Fund.

Conclusion – Response accepted

- 12-IV-K E911 Budget – The E911 budget was not published.

Recommendation – The Code of Iowa requires the annual budget be published prior to adoption.

Response – We will do so from now on.

Conclusion – Response accepted